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FROM : Amembassy BENGHAZI

262
DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON.

June 22, 1959
DATE

REF : CERP Section D, Item

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47	AF 5 7/1	INFO Emb-2 IRC 8 IRA-11 w/msc 3 E-7 Rep 1 CIA-10 OSD 4 Army 4 Navy 3 AIR-3 TR-3

SUBJECT: Discussions on USFY 59 Aid for Libya

The Embassy transmits for background information a series of Memoranda of Conversation which deal with the efforts of representatives of USOM/L to arrive at agreements and understandings with representatives of the Libyan Government on the USFY 59 economic assistance program and certain procedures, largely fiscal, for the administration of U.S. aid.

As indicated in the enclosures, the remaining fiscal functions of LARC are now, in effect, being transferred to the Central Administrative Service (CAS) of the Libyan-American Joint Services.

The major part of LARC's function of technical supervision had already been assumed by the Joint Services and other USOM technicians, and program planning has for some time been done by USOM in consultation with Libyan Provincial and Federal departments.

The Ministry of Finance's part in the administration of FY 59 aid funds, discussed in the enclosures, can be no more than nominal, since the Ministry is not capable, with its present staff, of doing more. In fact, even the minor role envisaged for the Ministry, the receipt and transfer to CAS of aid funds, may be too much for it. The FY 59 USOM project agreements contain a clause stating that "the USOM reserves the right, after appropriate consultation with the Ministry of Finance, to advance any part of the funds provided herein direct to the project." The strengthening of the Ministry of Finance to a level at which it can take over the functions now to be exercised by CAS will be a major operation.

The difficulty over the roads program (discussed at the May 25 and subsequent meetings) arose from the diversion of $4,000,000 of MSP FY 59 funds from the regular development program to the Libyan budget. The remainder of the available MSP funds had been programed during months of negotiations with Libyan governmental departments, for other projects, and the recent diversion of funds meant that there were none left for roads. The diverted funds were, in the Finance Ministry's eyes, also already committed - for an increase in civil service pay (and probably for an increase in the number of civil servants) and for development projects not acceptable for regular MSP financing. It would seem apparent from the discussions that

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the Libyan Government has no intention of using free funds it may have at its disposal for paying any part of the costs of a development project that is known to be acceptable for MSP financing. The Department will note the usual GOL retreat behind the veil of sovereignty whenever, in the course of economic development discussions, it appears that discussion of total GOL resources is being proposed.

It is also worthy of note that the question of the FY 58 funds earmarked, under certain conditions which have not been fulfilled, for the Fezzan road has by no means been settled. The Embassy is inclined to believe that eventually the GOL will find a way of juggling its accounts to cover its commitments to the contractor, Abdullah Abid a-Sanusi, and will quietly consent to reprograming of the earmarked LL 520,000.

For the Ambassador:

Edwin L. Smith
Counselor of Embassy

Enclosures:

Memos of Conversation .
1. May 5, 1959.
2. May 6, 1959.
3. May 25, 1959.
4. May 26 & 27, 1959.

Copy to: Amembassy Tripoli (2)

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(Classification)

MEMORANDUM May 11, 1959

SUBJECT: Memorandum of Conversation

DATE: May 5, 1959

PARTICIPANTS: Mr. Shaglouf, Permanent Under-Secretary of Finance
Mr. Davis, Assistant Secretary of Finance
Mr. Newbegin, Auditor General
Messrs. Tank, Walker, Jonnes - USOM

Mr. Tank informed Mr. Shaglouf that the Ambassador has had occasion to speak with the Prime Minister concerning the total amount of aid to be received this year by the GOL from the US. Mr. Tank emphasized that the agreement has not yet been formalized but that the present understanding consists of the following points: a) the GOL shall receive an exceptional one-time grant of $4 million from the Mutual Security Funds, b) unrestricted use of the $4 million under the Economic Agreement of September 1954, and c) an additional $11 million for economic development programs. We in the USOM are primarily concerned with the $11 million. The various officers have had occasion to discuss at great length the plans for project activities during the next year with all persons in the Libyan government responsible for such activities and that agreement has been reached in large part on the volume of activities to be financed. We are now ready to conclude project agreements and the Prime Minister indicated to the Ambassador his agreement to procede with the conclusion of the agreements. Mr. Tank asked Mr. Shaglouf as to how we should proceed from this point.

Mr. Shaglouf replied that his Ministry is ready to conclude project agreements but he believes it desirable for the Development Council to review the content of these agreements prior to signature. It was agreed that the proposed ProAgs should go to Mr. Davis for distribution within the Libyan government as he sees fit.

Mr. Shaglouf expressed his amazement when advised that the USOM had never received a formal request for a development program over the next year other than that which he, Mr. Shaglouf, had presented to us in January and subsequently withdrew.

Mr. Tank noted two other issues of considerable concern to us - first, the question of commodity import programs and second - the question of administration of the funds in view of the prospects that LARC will be abolished shortly. Mr. Davis indicated that he and Mr. Cunnell of the National Bank would be prepared to examine the question of a commodity import program upon the return of Mr. Baba of the Ministry of National Economy from Morocco. He indicated that this meeting would be possible say, within the week.

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It was agreed that the question of fiscal management for the forthcoming year should be discussed the following day as requested by Mr. Shaglouf. Mr. Tank noted that it might be possible for the USOM to provide assistance in one form or another to the Ministry of Finance in not only handling the development money, but for the normal operations. Mr. Newbegin indicated his view that better accounting would mean the addition of specialized equipment.

Mr. Tank also stated to Mr. Shaglouf that Washington has approved 30,000 tons of grain and sorghum for livestock feeding in Cyrenaica. Mr. Shaglouf expressed his deepest thanks and then telephoned the Wali to inform him of this. The Wali reportedly was most enthusiastic and reportedly called this the best news he had heard in a long time. Mr. Tank emphasized that as we had been dealing with Minister Burt on this question he would appreciate treating the news as confidential until formal agreement has been reached on the details of the program.

LJonnes:cs

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Tank - USOM

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MEMORANDUM OF CONVERSATION - May 6, 1959

Participants: Abd ar-Razeq Shaglouf, Permanent Under Secretary of State, Ministry of Finance
C. Davis, Assistant Secretary, Ministry of Finance
J. Newbegin, Auditor General
Omar Yacoub, Executive Director, LARC
C. Wright, Advisor, LARC
M. M. Tank and L. Jonnes - USOM

Subject: Future of LARC

Mr. Tank opened the meeting by reviewing the USOM's views toward the changes now contemplated in the organizations responsible for development programs in Libya. He recalled the original interest of both USOM and the government in an agency which would give the GOL responsibility for development programs, which responsibility would be located in a central agency and which would not operate parallel to Federal agencies. A draft law now rests with the Council of Ministers, but we are not certain when this will become effective or its final shape, except that all previous drafts contemplate the early abolition of LARC. We now face the problem of making arrangements for the handling of funds to be provided for the current fiscal year. If LARC is soon to be abolished, it would be preferable now to make alternative arrangements. The USOM believes the Finance Ministry is the most logical agency to take over this function, and we should like to prepare the framework for this transfer. The LARC at the moment does little beyond transfer to LAJS the funds it receives from USOM. The Ministry of Finance could take on this function as a minimum with current staff and after becoming familiar with the nature, scope, and content of the project agreements suggest ways to improve the financial reporting of the Central Administrative Service of the Joint Services, and lay the ground for more effective supervision of program expenditures.

Mr. Wright outlined his concern that those concerned have not thought through and agreed upon a system which would be an improvement on what LARC does now. He queried whether or not it would be better to continue use of LARC's facilities for financial management; including the addition of staff (say four accountants) to aid in this function. Space could also be made available at LARC headquarters and the staff used by Ministry of Finance officials. Mr. Jonnes pointed out that the thinking to date has turned upon the use of the Finance Ministry as a transfer agency, while the budget and fiscal section of CAS should carry out the tasks of fiscal and budgetary control, subject to audit by the Auditor General. The implication of this proposal is that the bulk of the work would fall to the Budget & Fiscal Section of CAS and that it would be essential to secure additional, trained personnel in CAS to cope with these responsibilities.

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Mr. Shaglouf appeared to be of two minds - he noted the importance of having the Finance Ministry responsible for management of all aid funds, a responsibility which it would assume publicly, but implied at the same time some reluctance to have LARC disappear. He finally agreed, however, that a system with the Finance Ministry receiving the funds should be adopted and that in the long run this would be best as it would be a more permanent solution. Mr. Tank pointed out that the permanency was a question for the GOL to settle when the Development Council is established.

Mr. Yacoub raised several questions as to other aspects of LARC's operations, particularly the handling of Special Funds and the projects for which the Commission is still responsible. The concensus was that these questions should be treated subsequently in view of the fact that the Libyan Government was now to take directly into its budget all these funds except some for Westinghouse contract payments and LARC administrative costs.

Agreement was reached that a technical committee should be established to work out the details of the management of FY 59 funds. Messrs. Davis, Newbegin, Fosmark, Shearer and Wright should be members of the committee with Mr. Newbegin to serve as chairman. The frame of reference shall be to establish a system for the Finance Ministry to receive the funds and transfer these to the Joint Services which would administer the financial system. The committee shall also consider: methods by which the Ministry of Finance can at a later date increase its supervision of these funds; assure prompt monthly expenditures reports by project, and assume other functions being carried out by CAS ad interim; personnel and equipment requirements to do the above. The committee shall meet at LARC, May 9 at 10:30.

LJonnes/M.M.Tank

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Encl. No. 3
Desp. No. 262
From: Benghazi

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MEMORANDUM

May 26, 1959

SUBJECT: Memorandum Of Conversation

DATE: May 25, 1959

PARTICIPANTS: Mr. Shaglouf, Permanent Undersecretary of Finance
Mr. Kabazi, Permanent Undersecretary of Ministry of Communications
Mr. Davis, Assistant Secretary of Finance
Mr. Newbegin, Auditor General
Messrs. Brown, Tank, Jonnes - USOM

Mr. Shaglouf began with the comment that we have a delicate subject to deal with - a matter which, he believes, we should keep within the group assembled. He noted that he personally has not been involved in the negotiations of this year's aid program and has felt that the Prime Minister was approaching these negotiations in entirely the wrong spirit. The negotiating committee had exaggerated tremendously the requirements of Libya. Mr. Shaglouf stated that his one goal has been to introduce a note of realism into the negotiations. He does not, however, believe that cleverness is a quality required for these negotiations, for he feels we are dealing with friends and indicated that when the program was again reviewed and found that no roads were included it appeared we had been too clever for the Libyans. He believes it to be impossible for him to advise the Prime Minister that no provision has been made in this year's development program for rehabilitation of roads for, after all, 2,500 people find employment in this project. Mr. Shaglouf stated that the Prime Minister had requested his approval for the program, approval which Mr. Shaglouf had given. If he were now to return to the Prime Minister with the information that roads are not a part of this program, he would suffer severely.

Mr. Davis then commented on the budgetary situation of the Libyan Government. He emphasized that they had been uncertain in their original presentation to us as to how we would receive certain proposals for development projects and admitted they had included these in both categories - that is, within the listing of development projects and within the listing of requirements for budgetary support. He emphasized their desire to increase the civil service pay by an average of 17% which would cost roughly LL 800,000, and he emphasized their interest in carrying out selected development projects they now believe could not be financed through Project Agreements. Unfortunately, the negotiations of the aid program were taken from the Finance Ministry and never finished. He emphasized that there must be money for the roads and argued that it was not fair for the Americans to decide the roads program is unnecessary without letting them know. He pointed out that the roads program originally had been set up for a period of 6 years and that now after 2 years we propose to withdraw support.

Mr. Brown told Mr. Shaglouf that in view of his recent arrival and the series of calls he has made, he does not have knowledge of some of the items which we are

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discussing and he would ask Mr. Tank to address these questions. Mr. Tank said that he took strong exception to the imputation that we are seeking to be clever in our negotiations of the aid program. He reviewed at some length the history of our efforts to encourage the government of Libya to participate in the planning of the program for FY 59. We forwarded a list of the proposed projects as early as October prior to which there had been discussions with Mr. Shaglouf as to how the planning for this year should go forward.

In November and December there were continuing discussions at the technical levels of virtually all of the projects which are included in the proposed Project Agreements. The Nazirates and the Ministries have generally had an opportunity not only to review the content of the proposed projects but to participate to a large degree in the decisions as to what should be done during the forthcoming year. In January we met with the Ministry of Finance and were setting forth on a discussion of the over-all program when various events intervened. Mr. Tank recalled the continuing efforts, almost week after week, to come together for discussion of these plans. In February work on the draft law for the Development Council absorbed the time and energy of some of the participants in the aid negotiations. Mr. Tank pointed out that as soon as the Ambassador and the Prime Minister had reached tentative agreement, we came to the Ministry of Finance to fill in the details of development assistance. Our letter of May 5 contained a list of the projects which followed, certainly in broad outlines, the listing given to the Ministry last October. Mr. Tank summarized his review by emphasizing that we have had only one interest during the past months - to work out with the government of Libya a common program; now we are pressed for time. The aid funds, if not obligated by June 30, will cease to be available to Libya.

Mr. Shaglouf thanked Mr. Tank for the interest and work of the USOM and particularly for seizing the initiative. He then took up the question of the work on the coastal road. He reiterated the essential character of this work and expressed the fear that without further funding, the investments of the recent past would be lost. Mr. Tank pointed out that the Libyan government will have available to it not only the Special Funds of $4 million but an additional amount of $4 million as an exceptional one-time grant. Further, there will be $11 million of Development Assistance and that is all. He noted that we have not concerned ourselves with details of what the Libyan government proposes to do with special and exceptional grant funds for these monies will be available for unrestricted use. It would seem that the Libyan government could finance a substantial road construction and rehabilitation program from some part of these monies. Mr. Davis reacted vigorously to this suggestion, implying that such a suggestion runs counter to the whole intent of the $4 million grant for this year inasmuch as the failure to provide funding for a roads program within the regular program would mean that we are not giving $4 million but rather $4 million less whatever amount is earmarked for roads, and this would cause great budgetary difficulty.

Mr. Kabazi noted his Ministry's interest in this particular subject. He remarked that the Fezzan road is a project that must be done at some time, but that all at this meeting opposed the present project. He emphasized his concern

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that a maintenance program for the Fezzan road is waste - the throwing of money into the sand - and as a practical matter, maintenance is impossible. He remarked, however, that this is another matter and he wished to concentrate on the question of the coastal road.

Mr. Tank said that so far as the Fezzan road was concerned, we of the American side ceased to concern ourselves the moment the Libyan government signed a contract with the contractor. Mr. Kabazi continued by noting that there had been more or less a commitment to undertake a 6 year road program, which program his Ministry and LARC have discussed together with the Upham firm. Mr. Tank emphasized that this hardly makes a USOM commitment. Referring to Mr. Davis' point, he noted that we have not discussed the budget with GOL and, therefore, were in no position to express a view on the adequacy of budget funds for Libyan projected expenditures. Mr. Shaglouf noted that the budget is a matter of sovereignty. Mr. Brown excused himself at this time.

Mr. Davis, while granting that the negotiations were not the Ministry's responsibility, read the recommendations which the Ministry made in March to the negotiating committee. Additional economic assistance was set at $35,000,000. But this never came to the point of negotiations. Mr. Tank said that despite requests repeated at several meetings at the Foreign Office for a statement of GOL views on the '59 aid program, no information on this subject was ever given by the Libyan side and that, specifically, we had no knowledge of the Ministry of Finance's proposal to the Foreign Office.

Mr. Kabazi then asked why the roads program received no consideration within the $11,000,000 aid program. Mr. Tank replied that other projects had appeared to have higher priorities, and further consideration was stopped when the Ambassador agreed with the Prime Minister to give Libya $4 million in cash. Mr. Kabazi asked what they might be able to do for the financing of the coastal road. Mr. Tank suggested the use of the LL 520,000 now being held by USOM. This money had been earmarked for the Fezzan road, but our instructions are that we cannot expend these funds for this purpose. Both Mr. Shaglouf and Mr. Davis said it would be impossible for them to agree to this proposal - that these funds have been in effect spent. Mr. Jonnes pointed out that while the GOL may have made such a commitment, the USOM had notified the Ministry repeatedly that it could not fulfill the earlier commitment which, in point of fact, the GOL had completely changed. Mr. Shaglouf argued that the decision to go ahead on the Fezzan road was a political decision and one which he could not change. He agreed however, in conclusion, to speak to the Prime Minister to seek his consent to make use of the LL 520,000 for coastal road work this year, and it was arranged that another meeting should be held May 26. Mr. Davis suggested that the only possibility which appears realistic to him is to reprogram the $11 million, a suggestion which Mr. Tank considered unrealistic in view of the time factor and in view of the long chain of agreements with Ministry and Provincial officials for each of the proposed project agreements.

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Encl. No. 4
Desp No. 262
From: Benghazi

MEMORANDUM

SUBJECT: Memorandum of Conversation

DATE: May 26 and 27, 1959

PARTICIPANTS: Mr. Shaglouf, Permanent Undersecretary of Finance
Mr. Kabazi, Permanent Undersecretary of Ministry of Communications (Not present May 26)
Mr. Davis, Assistant Secretary of Finance (Not present May 27)
Mr. Newbegin, Auditor General
Messrs. Brown, Tank, Jonnes - USOM

The following memo covers two meetings held May 26 and May 27.

1. Meeting May 26 - Mr. Shaglouf reported that he had discussed the question of the Fezzan road funding with the Prime Minister and said that the Prime Minister refused completely to consider re-programming these funds. He also stated to Mr. Shaglouf that the money for the Fezzan road must be paid and instructed Shaglouf to sign no project agreement until provision had been made in the development program for a project to rehabilitate the coastal road.

Mr. Davis then noted his concern with the budget for 1958/59. He reported that the government now has closed its books and any payment to be made hereafter would have to be handled with the Auditor General. He noted that a shortfall of $2.5 million has developed because of the American failure to meet its obligations under the terms of the agreement of October 13, $1.46 million is for the Fezzan road, and the balance is for LPD & SA. Mr. Jonnes replied that funds are available and that we are prepared to pay our contributions for LPD & SA. He noted that the Finance Ministry had not requested transfer of these funds for the last quarter while the request for the third quarter arrived very late.

Mr. Shaglouf then reiterated the Prime Minister's statement that he would not agree to the use of funds earmarked for the Fezzan road for meeting costs of work on the coastal road. Mr. Davis suggested that the only solution appeared to be calling an ad hoc committee to examine the $11 million program with the purpose of reducing the amounts suggested for other projects to obtain funds for the roads.

Mr. Tank referred back to the question of the shortfall as outlined by Mr. Davis. He pointed out that the USOM had transferred a total of $3.5 million on March 31 to the Finance Ministry and noted our understanding that this met the American commitment under the October 13 agreement, inasmuch as the October 13 memorandum of understanding was simply a procedural document giving force to the agreement of last May that the United States would give the Government of Libya a total of $5.5 million over the forthcoming financial year. Mr. Tank

said that he thought the Finance Ministry had accepted this. Mr. Davis replied that it was not satisfactory to the Ministry because the transfer included $1.1 million for projects in LARC and in their view this sum does not meet the terms of the agreement.

Mr. Shaglouf then again noted the Prime Minister's concern with the problem saying that Mr. Koobar regards the proposal to reprogram LL 520,000 as interference with the internal affairs of Libya, to wit, interference with the budget. Mr. Davis re-introduced the suggestion of a review of the existing program for, in his view, this would be the only logical manner by which to proceed. Mr. Shaglouf said that he does not want differences now with the Prime Minister, as the Prime Minister appears to have changed his point of view. This apparently referred to the willingness of the Prime Minister to agree with the aid program in terms set forth by Mr. Shaglouf. Shaglouf said that his arguments with the Prime Minister have been solely on our account, that he had counseled moderation in the demands upon the American government.

Mr. Tank inquired how the Ministry of Communications had come to the figure of $1.25 million for a roads program. Mr. Davis replied that the project is a most important one. There is a high labor content and it would be possible to provide these funds by taking "a little bit" from each of the other projects. Mr. Tank emphasized that the projects as they now stand in the project agreements have the full approval of the Nazirates and Ministries concerned, and that any change in the content would undoubtedly cause irritation and dissatisfaction at all levels of government. Mr. Tank noted a second factor against this procedure, the simple matter of time, for preparation of project agreements involves a large effort.

Mr. Shaglouf said that he would be willing to chair a committee to review the program, and that this committee should include representatives from all the Ministries. He said his one concern was to have some sum, if only a dollar, for the roads program.

Mr. Tank pointed out that Mr. Ka'bazzi had talked the previous day of a roads project for the coastal road in terms of a highly selective approach - to build some bridges and to work on a few stretches of the highway. He wondered whether the possibility does not exist to find other employment for some of the laborers now engaged in the roads program, i.e. the work now underway to build the Fezzan road.

Mr. Brown emphasized his view that if we are to discuss a roads program, we must determine the minimum compatible with a reasonable investment. Shaglouf expressed his agreement with this sentiment, suggesting that the Ministry of Communications should take up the question.

Mr. Jonnes noted that we are already well into the Libyan financial year and that perhaps the requirements for a full year of road rehabilitation would

not be necessary. He also pointed out that it does not make much sense to have $1.5 million of funds committed for one purpose for which we can never use these funds, while simultaneously there is a great demand for additional financing of other projects. Mr. Brown emphasized that this procedure is simply a waste of funds and that he would welcome a permanent solution to the outstanding question of the Fezzan road.

Mr. Tank summarized the session, suggesting that the Ministry should resolve the question of how much money would be required for a minimum roads program over the next year, stating that we must discuss the position with our Ambassador, that we also would review further the $11 million program, and that we would consider the possibility of a review of the program by the ad hoc committee. It was agreed that we should meet the following day to consider the matters further.

2. Meeting May 27 - Mr. Newbegin informed the group that the Ministry of Communications has proposed a roads program of $900,000 for the forthcoming year. It would include funding for rehabilitation of the coastal road and a certain amount of maintenance on the Fezzan road. Mr. Brown said that he sees three alternatives at the present time. We have considered funding a roads program 1) from the money once promised for the Fezzan road, 2) from the budgetary grant which the American government has already agreed to make to the government of Libya, and/or 3) a re-programming of the $11 million program, which was discussed most recently with Mr. Shaglouf on May 5. As concerns the first point, it is clear that we do not have enough time to settle this question now. We are agreed that it is primarily a political matter which the Ambassador and the Prime Minister probably will consider in the near future. As concerns the budgetary grant, Mr. Davis had stated that all the funds which the United States is giving the GOL this year are allocated. The only real alternative is then a reconsideration of the $11 million program. Mr. Brown noted the suggestion of Mr. Shaglouf that a committee meet to begin re-consideration of the program. He outlined the mechanical problems of preparation of the project agreements, problems which would consume a great deal of time, particularly that of translation. He pointed out the requirement imposed upon ICA/W by the Congress that not more than 20% of the total authorization of aid funds be obligated in the last month of the fiscal year. Hence, we are most desirous of concluding as many project agreements as possible before June 1.

Mr. Brown reported that Mr. Tank and Mr. Jonnes have talked at length with Mr. Ka'bazzi and that tentative agreement on the telecommunications program had been reached.

Mr. Shaglouf commented that a committee is ready to convene on June 1 and Mr. Horsley of the Development Council would bring the group together. Mr. Tank expressed his concern that the procedures which the committee would necessarily follow would be at best rough and ready, if only because of the member's unfamiliarity with the subject matter and that Ministries and Nazerates which had

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studied these projects for months would strongly oppose the rather arbitrary cutting of programs in this manner by people unfamiliar with the project. He pointed out that he had agreed the previous day to take another look at the program for $11 million.

One point which we had not discussed previously concerns the University of Libya. In the early planning sessions for the educational program for this year, the Mission had discussed the use of $450,000 for a new plant for the University in Benghazi. Time has passed and the GOL has come forward with no definite plans. No decision has been made as to where the University should be located. Under these circumstances, the American government cannot provide funds because we do not know for what purposes such provision would be made. Mr. Tank emphasized that this of course does not mean any change in the real world, for there now is some $600,000 on hand for funding the University, and that if the necessary decisions are made and engineering plans prepared, the Ministry of Education can procede immediately with construction. In our table which accompanied the letter of May 5 to Mr. Shaglouf, we simply showed this $450,000 as part of the telecommunications project, for we did not know how it might be used nor were we certain of how much the cost would be to complete the telecommunications work.

Mr. Jonnes suggested one calculation which might clarify the problem. Mr. Newbigin had mentioned LL 900,000 as a satisfactory amount for roads. Assuming a fairly stable rate of expenditures, this would mean LL 75,000 a month would be required or LL 750,000 for the next ten months. Using the planning figure of LL 800,000, this would mean LL 67,000 a month or LL 670,000 until March 31. He added that these are of course the roughest figures and another approach might be to fund the program for a shorter period, say eight months with the condition that we consider reprogramming for an additional roads program funds from prior years which might be available over the next months.

Mr. Tank reviewed his conversation earlier that day with Mr. Ka'bazzi, at which time Mr. Ka'bazzi and he agreed in principle on the telecommunications project for this year. Mr. Ka'bazzi previously had given the Mission a list of priorities, including ten of a first priority, three of a second priority and two of a third priority. Of these we had been able to come to an understanding on thirteen. Certain of these priorities pertain to broadcasting and can be covered from funds now available under the Broadcasting project agreement of FY 57. The big question is that of costing, for we do not have yet realistic estimates on this point. The largest item is that for the rehabilitation and expansion of the Tripoli city network and the addition of lines to the system. We estimate that the cost for the entire project may run to $1.4 million. The Mission is preparing a letter for Ka'bazzi confirming agreement in principle to the tasks to be done. The upshot of these calculations is that approximately $600,000 could be made available for a roads program. Since we were not sure how deeply this cut would go in the Telecommunications project, he said we might wish to use some of the LL 520,000 for local work on Telecommunications. He suggested

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the possibility of agreeing now to consider reprogramming at a later date from the funds previously set aside for the Fezzan road to add to $600,000 for a roads program.

Mr. Newbegin said that this sounds like a reasonable solution of our impasse. Shaglouf stated that to him the labor is far more important than the technical work on telecommunications. He believes it desirable for Mr. Ka'bazzi to reconcile his telecommunications program with the roads, that is to provide additional money for the roads. Mr. Newbegin noted that the minimum amount for roads would run at perhaps $700,000 below which they could not go. Mr. Tank suggested that we proceed with the program as it now stands except that the amounts for roads and telecommunications must be reviewed before conclusion of the project agreement against realistic cost estimates. Mr. Jonnes reiterated the point that the USOM could undertake to review sympathetically the use of funds from prior years for funding an additional program of roads.

On the understanding that the program should include projects for telecommunications and roads in the respective sums of $1.4 and $0.6 million, it was agreed that Mr. Shaglouf and Mr. Brown should conclude those project agreements now ready by May 30 without further review by a committee. The Ministry and the USOM will review the situation on the roads later in the year.

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